



INSURANCE ASSOCIATION OF CONNECTICUT

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Statement

Insurance Association of Connecticut

Insurance & Real Estate Committee

February 26, 2015

HB 5593, AN ACT CONCERNING ADDITIONAL LIVING EXPENSES COVERAGE UNDER A HOMEOWNERS INSURANCE POLICY

I am Eric George, President of the Insurance Association of Connecticut (IAC). The Insurance Association of Connecticut (IAC) opposes HB 5593, AN ACT CONCERNING ADDITIONAL LIVING EXPENSES COVERAGE UNDER A HOMEOWNERS INSURANCE POLICY.

HB 5593 would prohibit homeowners insurers from establishing a time limit regarding the payment of additional living expense coverage benefits (ALE). HB 5593 will only serve to unnecessarily increase homeowners insurance premiums by facilitating potential fraud and abuse of ALE benefits.

ALE benefits are paid when the covered residence is not fit to live in during the period of repairing or rebuilding the home after covered damages have occurred. ALE benefits may include hotel and restaurant costs incurred during that period by the insured.

After a covered loss, the insurer will work with the insured and contractor to determine a reasonable time period within which the necessary repairs can be completed. ALE benefits are provided during that prior so that disruptions to the lives of household members are minimized. If delays occur that are beyond the control of the insured, the time period for ALE benefits may be extended.

However, in order to prevent misuse of ALE benefits, insurers must be able to terminate them at the end of that reasonable period. For example, delays in the completion of repairs caused by the insured,

such as delays in finalizing decisions, or deciding to change the floor plan of the house or add on additional rooms, can result in the repair time being extended beyond reasonable limits. Elongated repair periods resulting from these insured-initiated delays should not be the responsibility of the insurer for purposes of ALE benefits, as that goes beyond legitimate contractual obligations.

Insurers experience circumstances where the insured apparently enjoys living in a hotel, or some other alternative arrangement, and eating daily meals in restaurants, and seeks to continue ALE benefits well beyond the time period necessary to complete proper repairs to the damaged home. HB 5593 would actually serve to encourage such a misuse of the benefits, resulting in unnecessary payments to the insured. The resulting costs will be reflected in future homeowners insurance premiums, and will have to be borne by all the insurer's homeowners insurance policyholders.

IAC urges rejection of HB 5593. Thank you for the opportunity to present IAC's viewpoint.